

Message Text

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ACTION EB-07

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TO SECSTATE WASHDC IMMEDIATE 8064

INFO AMCONSUL HONG KONG

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FOR EB/FTD: CHARLES ANGEVINE

E.O. 11652: N/A

TAGS: ETRD, HK

SUBJ: HONG KONG - RESTRAINTS ON TEXTILE EXPORTS

1. SUMMARY. IN PARALLEL WITH CONTINUING U.S.-HK TEXTILE NEGOTIATIONS IN LYON, MEMBERS OF U.S. DELEGATION CONSULTED WITH ALEC HERMANN AND DOUGLAS CHAN OF HK DELEGATION ON CALLED CATEGORIES 39, 120 AND 225. CHIPMENT LEVEL OF 961,000 DOZEN UNITS FOR CAT. 225 FOR PRESENT AGREEMENT YEAR WAS AGREED ON, BUT NO AGREEMENT WAS POSSIBLE ON CATS. 120 AND 39. END SUMMARY.

2. CAT. 39. HERMANN ACKNOWLEDGED THAT THERE WAS REAL RISK OF MARKET DISRUPTION AND THAT HK WITH ITS HIGH SHARE OF IMPORTS CONTRIBUTED TO THAT SITUATION; ACCORDINGLY, HK WAS PREPARED TO RESTRAIN EXPORTS OF WORK GLOVES TO U.S. AFTER U.S. DEL REFUSED TO LIMIT THROWAWAY GLOVES SEPARATE FROM REST OF CATEGORY, HERMANN PROPOSED LIMIT OF 4 MILLION DOZEN PAIR PER YEAR BUT SUBSEQUENTLY REDUCED HIS PROPOSAL TO 2.95 MILLION SYE (75-6 RESTRAINT LEVEL) PLUS 6.25 PERCENT GROWTH; U.S. DEL SUGGESTED 3.0 MILLION SYE, AND SAID U.S. COULD NOT ACCEPT THE PRINCIPLE THAT 6.25 PER-

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CENT GROWTH MUST BE GIVEN FOR EA CATEGORIES. BECAUSE HERMANN'S INSTRUCTIONS DO NOT PERMIT HIM TO MOVE BELOW 1975-1976 RESTRAINT LEVEL PLUS 7.25 PERCENT GROWTH, TWO DELS AGREED THAT THEY COULD NOT AGREE.

3. CAT. 225 (BRASSIERES). HERMANN ACKNOWLEDGED REAL RISK OF MARKET DISRUPTION AND HK CONTRIBUTION AND SAID HE

WAS AUTHORIZED TO AGREE TO A RESTRAINT LEVEL BUT ONLY IF U.S. HAD ALSO RESTRAINED COSTA RICA IN SAME CATEGORY. U.S. DEL RESPONDED THAT U.S. HAD NOT RESTRAINED COSTA RICA, THAT COSTA RICAN EXPORTS TO U.S. IN THIS CATEGORY WERE DECLINING AND THAT IT WAS NOT LOGICAL TO RESTRAIN DECLINING TRADE. SUBSEQUENTLY, HERMANN REPORTED TO MEMBER U.S. DEL HE HAD RECEIVED INSTRUCTIONS PERMITTING HIM TO NEGOTIATE LEVEL IF U.S. WOULD GIVE FORMAL ASSURANCE IT WOULD ACT TO RESTRAIN COSTA RICA IF EXPORTS OF CAT. 225 INCREASED; THIS REQUEST WAS REJECTED. U.S. DEL TOLD HIM THAT SHOULD PATTERNS OF TRADE WITH COSTA RICA IN THIS CATEGORY CHANGE, U.S. WOULD CONSIDER APPROPRIATE ACTION THROUGH ITS NORMAL CHANNELS BUT IT WAS IMPOSSIBLE TO MAKE COMMITMENT OF ANY SORT. HERMANN NOTED THIS POSITION, STATED HE WOULD REPORT IT AND SUGGESTED A LIMIT OF 1 MILLION DOZEN PER YEAR, SUBSEQUENTLY REDUCED TO 962,000 DOZEN (6.25 PERCENT INCREASE OVER 75-76 EA LEVEL). U.S. COUNTER OFFER OF 961,000 (3 PERCENT INCREASE OVER U.S. IMPORT DATA BY DATE OF SHIPMENT, FOR SAME PERIOD) WAS ULTIMATELY AGREED UPON.

4. CAT. 120 (SUITS). HERMANN REPORTED THAT BECAUSE U.S. PRODUCTION WAS UP FROM 1965 TO 1976 AND HK SUPPLIED ONLY 3 PERCENT OF IMPORTS AND 0.7 PERCENT OF DOMESTIC MARKET, HK BELIEVED THAT NO RISK OF MARKET DISRUPTION DUE TO HK SHIPMENTS COULD BE SHOWN. IN ADDITION, HE INQUIRED IF WE WERE ACTING AGAINST EC EXPORTS OF THIS CATEGORY. U.S. DEL EXPLAINED FULLY WHY U.S. HAS NOT SOUGHT RESTRAINT ON EC. U.S. POINTED OUT THAT 1975 LIMITED OFFICIAL USE

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WAS DEPRESSION YEAR AND 1976 PRODUCTION, THOUGH HIGHER THAN 1975, WAS STILL BELOW PREVIOUS YEARS. IN MARCH 1977, EMPLOYMENT HAD DECLINED TO LEVEL BELOW THE AVERAGE OF 1975. US FURTHER NOTED THAT "EQUITY ARGUMENT" RAISED BY HK RE GLOVES COULD EQUALLY BE APPLIED WITH EVIDENCE THAT U.S. HAD TAKEN ACTION ON SUITS WITH ROMANIA AND POLAND AT LEVELS COMPARABLE TO SHIPMENTS BY HK. BOTH DELS AGREED TO DISAGREE ON CAT. 120.

5. COMMENT: PRINCIPAL ISSUE IN CONSULTATIONS WAS HK ATTEMPT TO ESTABLISH GROWTH AT AGREEMENT RATE (6.25 PERCENT) ON BASKET CATEGORIES. U.S. DEL INFORMED HONG KONG THAT LIMITS (IF IMPOSED OR AGREED ON) ON BASKET CATEGORIES COULD BE HIGHER OR LOWER THAN PRIOR YEAR'S LEVELS AND THAT CONCEPT OF REQUIRED GROWTH ON BASKET CATEGORIES NOT ONLY WAS NOT ACCEPTABLE BUT HAD BEEN EXPLICITLY REJECTED DURING NEGOTIATION OF AGREEMENT. DISAGREEMENT ON CAT. 39 LEVEL AND LEVEL OF GROWTH ON 225 IS, TEAM BELIEVES, SUFFICIENT TO ESTABLISH REJECTION

OF HONG KONG CONCEPT. FYI. HONG KONG HAS PRIVATELY
INDICATED WILLINGNESS TO ACCEPT LIMIT ON CAT. 120 BE-
GINNING IN 1978 IF SET AT "REASONABLE" LEVEL. END FYI.

6. TEXTILE TEAM SUGGESTS THAT DEPT. MAKE
ARRANGEMENTS FOR IMPLEMENTATION OF AGREEMENT ON CAT. 225.
TEAM HAS ALSO AGREED WITH HERMANN AND CHAN THAT CONSUL-
TATIONS ON CATS. 39 AND 120, AS WELL AS OTHER CALLED
CATEGORIES, BE CONTINUED IN WASHINGTON.
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